

Prepared remarks of

Scott Sander  
President and Chief Executive Officer  
SightSound Technologies, Inc.

at the

Hearings on  
Competition and Intellectual Property Law and Policy  
In the Knowledge-Based Economy

March 20, 2002

Good afternoon.

In the mid-1980s, my friend, a young engineer named Arthur Hair, saw the future of movies and music.

Arthur invented the method and system for selling digital audio and video files over networks like the Internet. He was convinced that if the record labels and movie studios would embrace his invention, they would be spared a future of rampant piracy powered by computers connected to the Internet.

Arthur's father—an engineer from Pittsburgh who patented a process for strengthening steel—gave us a prophetic piece of advice: “Get a patent to protect yourselves, so the big companies don't steal your ideas.”

We decided to start a company that would revolutionize the entertainment industry with a distribution method that was better, faster and cheaper than ever before.

In 1993, we received our first patent.

Last month in these hearings, James Rogan, Director of the United States Patent and Trademark Office, said: “Understanding the patent system begins with a recognition that patents are a form of property anticipated by the United States Constitution.”

On our property, we set out to build a company and change an industry. We sold the world's first downloadable music in 1995 and the first feature film in 1999. Since then, we have sold downloadable movies into more than 70 countries worldwide.

Before the world went Napster crazy, Arthur and I presented the leaders of the media companies with our patent-protected method and system. We offered them the opportunity to sell their product, pre-empt piracy and make a new deal with the next generation of consumers.

But they were frozen with a fear of the future and a commitment to cling to control.

We began to feel a bit like Philo Farnsworth, whose only reward for his invention of the television was personal satisfaction—he lost an epic battle with the Radio Corporation of America’s David Sarnoff.

Sarnoff spent many years and many millions of dollars to work around Farnsworth’s patents. Although he will always be remembered as the man who invented television, Farnsworth knew only the struggle of lawsuits.

The story of David versus Goliath repeats itself throughout history. But in our case, it is more than just a mismatch in size. We seek to change the business practices of a media oligopoly currently under investigation, possibly engaged in a civil conspiracy to restrain trade and, like Sarnoff, certainly committed to delaying the future.

That future promises American consumers the benefits of this new and useful process for distributing entertainment. That future is based upon a mutual respect for property rights: our patent rights, their copyrights.

I am here today to testify emphatically that our patent rights are the only thing that has the power to change the business practices of men like Rupert Murdoch, Sumner Redstone, Michael Eisner and the handful of companies that control the production and distribution of movies and music. Like robber barons of the information age, they seek to control all forms of distribution. Consider the following statement by Ted Turner of AOL/Time Warner, as told to the *New Yorker* magazine in April 2001:

“You need to control everything, you need to be like Rockefeller with Standard Oil. He had the oil fields, and he had the filling stations, and he had the pipelines and the trucks and everything to get the gas to the stations. And they broke him up as a monopoly. You want to control everything. You want to have a hospital and a funeral home, so when the people die in the hospital you move them right over to the funeral home next door. When they’re born, you got ‘em. When they’re sick, you got ‘em when they die, you got ‘em.” He smiled and added, “The game’s over when they break you up. But in the meantime you play to win. And you know you’ve won when the government stops you.”

Fortunately for us, another Ted, Teddy Roosevelt, once said: “The only way to meet a billion-dollar corporation is by invoking the protection of a hundred-billion-dollar government.”

Arthur Hair sought out that that protection and we value it in our patent rights. The fact that these patents ultimately expire fills us with impatience and forces us to continue to innovate.

The ultimate beneficiary of our impatience and innovation is the American consumer.